01880-3

ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
May 1990

Dr. Donald Ratajczak, Director
For Release: Tuesday, May 29, 1990

APRIL'S ECONOMY WAS WEAK, BUT IS IT A TREND?

When 79,000 of the 64,000 increase in payroll employment is the result of people counting other people, as was the case in April, the economy has stalled. Moreover, the labor diffusion index fell below 50%, as sign of contraction in the labor markets. A slumping workweek and a fall in the household estimate of employment confirm the weakness in payroll employment, although the survey was conducted on the week containing Good Friday, which normally shortens the workweek. Retail sales also fell, for the second consecutive month, industrial production was down, housing starts reached their lowest levels since 1982, while the trade deficit rose sharply in the previous month. Except for the Census takers, no pockets of strength were apparent in the April economy.

Of course, some of the weakness could be the result of statistical aberrations. Not only was the employment survey conducted on Easter week, but the advance retail sales report showed a dip in auto spending despite no change in reported units sold by the manufacturers. As sales rebounded during the last ten days of April, the advance report may have missed the rebound. Consumer spending in the personal income report, which has more complete retail data, did not show the dip that the advance report indicated. (This suggests an upward revision in retail sales when the May report is released).

Also, the 99,000 plunge in construction employment merely indicates that more normal weather had returned following unusually favorable construction weather during the winter. Construction is weak, as the housing starts reports suggest, but employment should not plunge by the amounts that occurred in March and April.

Excluding autos, industrial production would not have declined. With production at 6.1 million units in April, further reductions in auto production are not likely. In fact, production may increase during the summer to assure ample cars if some labor conflict develops when the UAW contract expires on September 14. And, of course, the weakness in trade activity was for March. A rebound in exports is expected in April.

COLLEGE OF BUSINESS ADMINISTRATION
GEORGIA STATE UNIVERSITY
UNIVERSITY PLAZA
ATLANTA, GEORGIA 30303-3083
404-651-3282

Thus, the stall in April appears to more likely reflect an economy that is shifting gears following unusual winter activity rather than one that is tumbling into recession.

Indeed, the economy shows no serious imbalances except in the financial sector. Inventories were liquidated during the first quarter, and auto inventories continued to be liquidated in April. Consumer debt has been growing at half the rate of consumer incomes since the beginning of this year. The savings rate remains low historically, but is significantly above rates of the past two years. While housing starts continue to tumble in all regions except the midwest, construction now is below the rate of household formations. This should initially reduce rental vacancy rates and ultimately lead to increased housing activity. (Auto sales also are behind the replacement demand for vehicles, suggesting that no sharp corrections should be expected there).

Construction excesses abound, but the vacancy rates are slowly coming down. The availability of RTC property could extend the adjustment phase of the construction cycle, but the depths of the decline should not be much beyond current activity.

Unfortunately, financial conditions are not favorable. Following a moderate weather induced spurt during the winter, money growth has slowed sharply. Loan activity has seen little growth since January, although commercial paper borrowing by nonfinancial institutions are up sharply. Although interest rates have increased, tight regulatory conditions rather than high prices appears to be the major financial constraint. Last year loan officers would asked to grow their portfolios, this year they are asked to avoid problem loans. At the same time, many developers and small businesses are discovering that their borrowing relationships with thrifts must be terminated because loans to a single party cannot exceed 15% of the institution's capital, regardless of the quality of the loan. Unfortunately, some of these customers cannot find ready access at commercial banks because their loan officers are avoiding problems.

Much of the regulatory restraint has fallen upon developers, where some constraint probably is needed to reduce the excess inventory. Nevertheless, the impact of tightened regulations has been to slow economic growth.

Currently, enough financing is available to permit many suppliers to finance their customers. Also, leasing has grown sharply in this tight environment. Indeed, the sharp growth in nonfinancial commercial paper may indicate that some disintermediation is occurring, but the channel is through suppliers rather than to alternative financial sources. With such funding, capital spending should continue to expand, especially in the cost cutting computer and communications equipment and related software.

The dollar's continued weakness against European currencies and renewed weakness against the yen should preserve export growth through this year and into next year. Some import substitution also could develop, although much of the change is with transplants displacing some of the imported goods. As the transplants generally carry more import components than domestically produced goods, the trade advantages from this import substitution are smaller than normal.

Of course, the economy should rebound late in the spring and during the summer as lean inventories require increased production. A continuation of moderate consumer spending along with capital spending and export growth should more than offset any further construction weakness and the weakness spawned by slower government growth once the Census activity has peaked. However, the expansion is relatively fragile and may not be able to withstand a substantial burst of budgetary restraint. Any substantial tax measures and further spending restraint along with the further projected decline in defense activity could tilt the economy into a downturn. Indeed, further regulatory tightening could begin to restrain the credit flow from suppliers that has prevented any serious deterioration in the activities of small and moderate businesses. At the present time, however, the April stall probably was a spring chill that will be forgotten in the production warmth of summer.

Monthly Statistical Highlights

	MAY 1990	JUNE 1990	JULY 1990
Payroll Employment	+244,000	+124,000	+77,000
Index of Hours Worked	+0.3%	+0.1%	+0.1%
Household Employment	+130,000	+138,000	+132,000
Civilian Unemployment Rate	5.3%	5.3%	5.3%
Personal Income	+0.4%	+0.5%	+0.5%
Savings Rate	5.4%	5.5%	5.4%
Personal Consumption	+0.5%	+0.4%	+0.5%
Retail Sales	+0.7%	+0.2%	+0.4%
Auto Sales	9.3*	9.5*	9.6*
Housing Starts	-1.0%	+0.2%	+0.5%
Housing Permits	+5.5%	-2.6%	+0.7%
Construction Expenditures	-1.0%	-0.5%	-0.1%
Business Inventories	+0.3%	+0.3%	+0.4%
Orders for Durable Goods	+1.6%	+1.1%	-0.0%
Orders - Nondefense Capital Goods	+3.2%	+2.4%	-0.3%
Industrial Production	+0.2%	+0.3%	+0.3%
CPI	+0.3%	+0.3%	+0.3%
PPI	+0.3%	+0.3%	+0.2%
Consumption Deflator	+0.1%	+0.4%	+0.3%
Leading Indicators	+0.2%	+0.1%	-0.1%
Currency Index	-1.4%	-1.8%	-0.7%
Equity Index	+1.6%	-0.2%	+4.0%
Real GNP (annual rate)	+3.2%	+1.4%	+3.8%
M1 (annual rate)	-0.4%	+4.1%	+5.8%
M2 (annual rate)	+0.8%	+5.8%	+6.7%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Everything about the April employment report showed weakness. The service sector showed less growth than normal, as business services showed their smallest gains of the year. Little change occurred in trade, while construction fell 99,000. Except for Census workers, payrolls would have declined by 15,000. The diffusion index indicated that the weakness was widespread. The workweek also fell, although the survey was conducted on Easter week. Even hourly earnings showed only a 0.3% gain despite the introduction of minimum wage standards. Finally, household employment underscored the weakness by falling 218,000 and the unemployment rate rose by 0.2 percentage points.

However, all the decline in manufacturing occurred in headquarters activity. Production workers actually increased, suggesting increased activity on the plant floors. (Also, an improvement in the ratio of production workers almost always means that productivity will perform above trend.) A rebound in the workweek should occur in May, and some gains are likely in goods production, as construction returns to a slight downward trend following an unusually mild winter.

The continued large discrepancy between payroll and household employment growth remains a mystery. Also, the sharp quarterly slowing in hourly earnings is at odds with other measures of employment costs. Perhaps, composition shifts were responsible for the substantial slowing. At any rate, our PROJECTIONS show gradual slowing in the growth of labor inputs and an upward drift in the unemployment rate. Little acceleration in hourly earnings is foreseen, however.

PERSONAL INCOME AND OUTLAYS-Although minimum wage legislation was not apparent in the hourly earnings, it certainly aided the growth of wages in April. Also adding to the wage bill is the temporary hiring of Census enumerators. Because of the low response to the Census survey, more enumerators will be needed for a longer period than originally expected. The Census also will cost more. Government payrolls then will slow in the summer and fall. Thus, the spring spurt in wage earnings will be followed by considerably slower growth. Without this spring spurt, personal income would be growing very slowly, because strong farm subsidies in the winter will give way to more normal farm incomes in the spring. For example, farm incomes reached $67 billion in March and fell to a still high $51 billion in April. For all of 1990, farm incomes should average near $47 billion. This slowing in farm incomes also accounts for the dip in savings during the spring and summer months. Partially offsetting the dip in farm and wage incomes will be slightly faster growth in property incomes than during the early part of this year.

Our PROJECTIONS show no reticence by consumers. Although dollar gains in consumption have slowed, this is largely the result of slower inflation. Of course, auto sales also are slightly weaker in the spring. In addition, the mild weather helped remodeling and furniture activity. A return to more normal weather has slowed that activity. The spring spurt in services consumption occurs despite a slowing in prices of services. Indeed, strength in the service economy accounts for much of the continued strength in consumption despite slowness in durables. Stronger financial activity and transportation activity appears to account for the gains in service activity. These gains are not expected to continue at the spring growth rates, however.

CONSTRUCTION-All of the winter gains in housing activity are being reversed in the spring. However, activity is weaker than that, as the sharp decline in permits clearly suggests. This permit weakness appears to be the result of credit problems as well as the normal excesses of the market. While the April permit level probably is the low point for this cycle, activity remains stronger than those permits will support. Weakness continues to multi-family activity and is especially significant in the New England region. However, activity also has begun to weaken in the West and remains sluggish in the South. Modest mortgage rate relief in the summer should increase activity slightly, but rising rates in the fall could lead to further weakness in single family activity at that time.

Despite the slump in housing activity, residential spending should show some growth next year. Sluggish gains are expected for nonresidential activity while public construction should grow more slowly in the next twelve months now that natural catastrophe needs have been met.

BUSINESS ACTIVITY-Apparently, some of the slump in durable goods orders occurred because backlogs were becoming too long. As a result, potential purchasers decided to forego ordering until better delivery times could be determined. This was especially true for commercial aircraft. Now that shipments have rebounded, orders should begin to improve, although no improvement was apparent in April. All the April weakness was in the volatile transportation sector, however. The strong gains expected in communication and computer equipment as well as computer software are not as easily covered in the durable goods report as other gains in capital spending. Despite slow orders in April, growth in orders is anticipated through the remainder of the year to provide consistency to the anticipations surveys.

Inventories remain sluggish, although they are again beginning to be accumulated. Gradual gains in inventories are expected through the remainder of the year, although activity could intensify in the summer and then slow in the fall if hedge auto production occurs prior to the UAW contract expiration.

Despite sluggish economic growth, industrial activity has begun to stir. The 0.9% annualized gain during the winter is especially significant as the mild weather reduced utility production. On the other hand, capacity continues to grow stronger than production. No substantial capacity problems are likely. Only during the summer months should any hint of industrial price pressures be present.

PRICES-Of course, the winter price surge is followed by the spring and summer price moderation. Surprisingly, the adjustment in nondurables is being delayed because of gasoline pricing. This should preserve moderate pricing into the fall, as gasoline prices almost certainly will decline in the summer in the absence of further OPEC restraints. The surge in service prices apparently was related to higher housing costs associated with increased property taxes. While taxes should continue to rise, these gains were especially strong and should not be repeated. Therefore, service inflation should return to a trend rate of change for another twelve months.

The construction deflator is being buffeted by two forces. Weak demand is lowering the costs of some construction materials, but production restraints associated with environmental concerns is reducing production. A gradual increase in prices is expected from this activity.

Following its first quarter surge, the GNP deflator should return to trend during the remainder of this year. A decline in gasoline prices during the summer might create slightly below trend inflation rates at that time.

MISCELLANEOUS-Despite the apparent weaknesses in April, our GNP estimates suggest that enough service and trade activity occurred to generate moderate gains in economic activity for the month. Stronger gains are expected in May, but activity should reach its strongest growth rates in the summer. Sluggish activity should develop in the fall, as some inventory again may be reduced.

Despite monthly fluctuations, the leading indicators should continue to trend upward very modest during the forecast period. Gains in orders, building permits, and financial variables should offset weakness in labor market measures and little change in the inflation related variables.

The merchandise trade balance was aided by strong aircraft shipments in the first quarter. As those shipments return to a slower, but more orderly advance, some reductions in the trade balance is expected. However, general improvement is expected through the remainder of this year.

Some of that trade improvement will occur because of further declines in the dollar's value, especially against European currencies. These declines are not expected to be large, and should begin reversing direction by the end of the year. Therefore, no investor flight from dollar based assets is expected.

Strong payroll gains place further pressure on adjusted profits through the spring. However, improved growth and moderating wages relative to expenditures should improve profitability in the summer. The decline in profits clearly is being reversed, although the 7% gain during the next year remains modest.

FINANCIAL MARKETS

One of the interesting economic questions is why the inventory liquidation has not reduced interest rates. One of the answers clearly is the increased inflationary fears that first quarter price gains generated. But the more likely answer is that corporate cash flow was falling as fast as inventories. Therefore, the corporations were not able to reduce their use of funds. The decline in cash flow occurred because of strong labor costs and the reduced earnings generated by slow economic activity. Labor costs remain strong during the spring but should ease in the summer. Unfortunately, inventories and capital spending should be rising at that time. While some gains in corporate cash flow are possible while capital spending slows early next year, it appears that corporations will continue to exert upward pressures upon interest rates for the next year.

Despite rising earnings, the household sector exhausted all of its gains by maintaining its consumption at higher prices. Now that prices are moderating, falling farm incomes should prevent the household sector from substantially adding to the sources of funds. Of course, reduced housing activity should also reduce household use of mortgage funds. Thus, the household sector could be easing interest rate pressure slightly in the summer and fall. Then little further additions from the household sector are expected as next year begins.

Of course, the government sector's borrowing appears to be a major contributor to the rise in interest rates early this year. Deficits are again rising, even if the savings and loan bailout is ignored. (For interest rate purposes, the bailout is a redeployment of existing assets rather than a change in those assets. Therefore, the interest rate impact of such borrowing should not be substantial.) Part of the increase is the result of reduced tax payments, especially by corporations. However, those reductions have not led to improving corporate cash flow. With the deficit rising from $145 billion during last summer to $172 billion during the winter. Despite the "peace dividend", expenditures grew by the same 6.2% during the past twelve months as GNP. These deficits may rise slightly further in the spring, before increased activity should reduce the deficits in the summer. Therefore, the strong pressures generated by government borrowing should gradually ease in the summer months.

If government borrowing can be contained, interest rates could fall briefly in the summer. However, rising rates are again likely in the fall and winter as corporate borrowing persist and the household sector begins using funds for housing purchases.

At this time, foreign investors are expected to play only a limited role in our interest rates. The dollar has fallen to levels in Europe that assure further gains in our trade balances with that area. The yen's recent rebound also assures little further deterioration in trade conditions in Asia. Although falling interest rates during the summer could temporarily reduce capital flows, an improving dollar late this year should bring back the foreign capital.

Probably the most likely interest rate scenario is little change in short-term rates until after the Congressional elections. Then, some Federal Reserve restraint should raise rates late this year and early next year. Long-term rates should flow with the inflationary fears. As those fears diminish during the summer, long-term rates should decline. As activity increases in the fall, however, some gains in rates are likely.

EQUITY MARKETS-Are equity markets overvalued? Our formulas cannot explain the last five percent in market values, but that is a minor magnitude of overvaluation. Normally, anything less than ten percent overvaluation does not elicit a correction. However, weakness in the fall should again be expected. Not only will investors remember previous falls, but rising interest rates and falling profitability will add to uncertainty of equity values. Any downturn should be short-lived, however. Renewed profit growth and some moderation in interest rates should again provide a favorable climate for equity values by winter. Even so, the gains in the stock market have been modest in the past year and are expected to remain modest next year. Although total rates of return are expected to outperform bonds, they will only by about 8%, a continuation of modest returns that began last year.

Some of the sectors that should do well are the regional financials which have little real estate problems, the technology companies, which should rebound as orders for their products improve, and some of the cyclicals, which should rebound once recessionary fears subside. European related investments also look enticing. However, selectivity rather than buying or selling the market will be the approach that successful investors will take during the next year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
January 1990	109931		129.5		117863		5.3	9.83	
February	110304	3.0	130.2	3.0	118035	1.0	5.3	9.88	2.5
March	110407		130.3		118334		5.2	9.92	
April	110471		130.2		118116		5.4	9.95	
May	110715 *	1.7	130.6 *	1.5	118246 *	0.6	5.3 *	9.99 *	4.5
June	110839		130.7		118384		5.3	10.02	
July	110916		130.8		118516		5.3	10.05	
August	111023	1.3	131.0	1.5	118627	1.3	5.4	10.09	4.2
September	111146		131.2		118745		5.4	10.13	
October	111288		131.3		118864		5.4	10.16	
November	111413	1.4	131.3	1.0	118997	1.2	5.4	10.20	4.4
December	111553		131.4		119093		5.5	10.24	
January 1991	111698		131.5		119204		5.5	10.27	
February	111842	1.5	131.6	0.9	119326	1.2	5.5	10.31	4.2
March	111995		131.8		119458		5.5	10.34	
April	112118		131.9		119586		5.5	10.38	
May	112256	1.5	132.0	1.2	119704	1.3	5.6	10.41	4.2
June	112426		132.2		119839		5.6	10.45	
Chng June(91)/June(90)		1.4		1.1		1.2			4.3
Chng June(90)/June(89)		2.1		2.0		0.7			4.6

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	4.603		2.725		209.5		3.936		3.726	
February	4.638	9.4	2.748	6.9	219.1	9.0	3.965	10.1	3.745	10.2
March	4.674		2.763		233.6		3.997		3.764	
April	4.688		2.782		221.2		4.007		3.786	
May	4.705 *	6.1	2.798 *	7.7	216.0 *	-2.7	4.021 *	5.9	3.805 *	6.5
June	4.730		2.811		220.4		4.042		3.822	
July	4.753		2.823		219.4		4.061		3.842	
August	4.781	6.3	2.841	6.4	216.5	1.0	4.085	6.2	3.869	6.6
September	4.808		2.858		223.4		4.108		3.885	
October	4.832		2.871		225.9		4.128		3.902	
November	4.856	6.7	2.883	6.3	224.2	13.0	4.148	6.6	3.924	6.1
December	4.887		2.899		229.7		4.174		3.944	
January 1991	4.906		2.911		226.2		4.194		3.968	
February	4.934	6.3	2.927	6.0	228.4	2.3	4.219	6.7	3.991	7.0
March	4.959		2.941		229.0		4.240		4.011	
April	4.987		2.957		229.0		4.263		4.034	
May	5.010	6.6	2.969	6.2	224.9	0.4	4.281	6.4	4.056	6.7
June	5.040		2.987		230.3		4.306		4.076	
Chng June(91)/June(90)		6.6		6.3		4.5		6.5		6.6
Chng June(90)/June(89)		7.1		7.2		0.8		7.0		7.4

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	3619.9		505.6		1156.2		1958.0		2708.0	
February	3638.8	10.3	485.7	19.9	1176.0	9.8	1977.1	8.4	2711.9	2.4
March	3658.2		482.5		1175.6		2000.1		2709.0	
April	3680.1		486.3		1176.9		2016.9		2718.3	
May	3699.2 *	6.7	492.9 *	-0.3	1180.6 *	3.8	2025.8 *	10.2	2727.3 *	2.3
June	3715.5		493.7		1183.5		2038.3		2729.9	
July	3735.2		496.4		1186.8		2052.1		2736.3	
August	3761.7	6.6	504.1	8.8	1190.9	3.4	2066.7	8.0	2749.6	3.0
September	3777.4		503.7		1193.3		2080.4		2750.7	
October	3794.4		503.3		1197.4		2093.6		2752.7	
November	3815.5	6.2	507.8	4.5	1200.5	3.6	2107.2	8.1	2758.5	1.8
December	3835.4		509.8		1204.8		2120.8		2763.0	
January 1991	3858.4		513.5		1209.6		2135.3		2770.0	
February	3880.9	7.0	517.5	7.6	1213.8	4.5	2149.6	8.3	2775.8	2.5
March	3900.5		518.1		1218.9		2163.4		2779.8	
April	3923.1		520.9		1224.5		2177.7		2785.7	
May	3944.6	6.7	525.1	5.6	1229.0	5.1	2190.5	8.0	2789.9	2.0
June	3963.7		524.4		1234.1		2205.3		2791.6	
Chng June(91)/June(90)		6.7		6.2		4.3		8.2		2.3
Chng June(90)/June(89)		7.5		5.2		5.2		9.5		2.7

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	149.87		22.94		10.2		93.66		33.27	
February	149.91	11.4	23.63	16.3	9.5	54.3	94.87	9.1	31.41	14.8
March	149.55		23.33		9.5		94.88		31.34	
April	148.65		23.31		9.5		94.85		30.49	
May	149.71 *	-0.8	23.35 *	0.4	9.3 *	-11.8	95.13 *	2.8	31.23 *	-11.7
June	150.04		23.31		9.5		95.37		31.36	
July	150.60		23.44		9.6		95.63		31.53	
August	151.79	5.4	23.50	2.9	10.2	24.6	95.96	3.4	32.33	13.7
September	151.94		23.53		10.1		96.16		32.25	
October	152.23		23.52		9.3		96.49		32.22	
November	152.97	3.9	23.56	1.5	9.5	-18.6	96.74	3.6	32.67	6.8
December	153.54		23.65		9.6		97.08		32.81	
January 1991	154.34		23.78		9.7		97.47		33.09	
February	155.12	5.6	23.89	4.5	9.9	16.4	97.81	4.5	33.42	9.9
March	155.60		23.85		9.9		98.22		33.53	
April	156.36		23.98		10.0		98.67		33.71	
May	157.18	5.3	24.11	4.4	10.1	8.4	99.03	5.1	34.04	6.4
June	157.51		24.21		10.0		99.44		33.86	
Chng June(91)/June(90)		5.0		3.9		5.3		4.3		8.0
Chng June(90)/June(89)		3.9		4.2		-3.1		5.2		0.1

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	1.568		1.099		0.469		1.739	
February	1.488	37.4	1.154	46.9	0.334	13.6	1.297	12.7
March	1.321		1.010		0.311		1.232	
April	1.245		0.934		0.311		1.125	
May	1.233 *	-48.2	0.910 *	-48.4	0.323 *	-47.8	1.187 *	-56.4
June	1.235		0.922		0.313		1.156	
July	1.241		0.936		0.305		1.164	
August	1.242	1.7	0.945	9.9	0.297	-19.5	1.158	2.9
September	1.246		0.951		0.295		1.171	
October	1.260		0.955		0.305		1.178	
November	1.266	5.2	0.952	1.6	0.314	17.5	1.184	4.1
December	1.251		0.936		0.315		1.166	
January 1991	1.247		0.928 *		0.319		1.189	
February	1.268	2.2	0.946	-0.8	0.322	12.1	1.183	4.6
March	1.283		0.963		0.320		1.196	
April	1.294		0.977		0.317		1.203	
May	1.306	13.3	0.978	14.9	0.328	8.6	1.211	6.4
June	1.319		0.983		0.336		1.210	
Chng June(91)/June(90)		6.8		6.6		7.3		4.7
Chng June(90)/June(89)		-12.7		-5.0		-29.3		-12.6

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	137.5		90.8		196.7		425.0		353.6	
February	143.5	13.2	95.3	18.3	199.7	21.4	438.5	18.1	363.0	17.4
March	138.5		90.7		203.2		432.4		358.5	
April	138.1 *		90.3 *		199.7 *		428.1 *		354.4 *	
May	137.6	-5.9	90.6	-7.6	195.8	-6.6	424.0	-6.6	350.4	-7.9
June	137.5		90.5		193.9		421.9		348.4	
July	137.8		90.7		193.0		421.5		347.5	
August	138.4	0.8	90.4	0.9	193.5	-5.8	422.3	-2.3	347.3	-4.2
September	137.8		90.9		194.2		422.9		347.2	
October	138.2		91.1		195.6		424.9		348.6	
November	138.3	1.1	91.0	2.2	196.5	5.8	425.8	3.5	348.4	1.4
December	138.6		91.4		196.9		426.9		348.5	
January 1991	138.1		91.6		196.1		425.8		346.7	
February	138.4	0.6	91.9	2.2	196.8	1.3	427.1	1.3	347.2	-1.2
March	139.2		91.5		198.0		428.7		348.3	
April	139.7		92.1		198.8		430.6		349.2	
May	139.3	3.2	92.5	3.4	199.7	5.7	431.5	4.4	349.1	2.4
June	140.0		92.7		200.6		433.3		350.0	
Chng June(91)/June(90)		1.8		2.4		3.5		2.7		0.5
Chng June(90)/June(89)		1.9		8.4		-0.2		2.3		0.9

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	374.1		117.91		38.35		35.19	
February	373.2	1.3	120.78	-18.2	36.09	-12.5	36.83	20.5
March	371.9		128.58		40.90		36.16	
April	372.7 *		123.27		36.93		35.53	
May	373.5	0.6	125.28 *	8.9	38.11 *	-4.4	36.21 *	0.3
June	374.6		126.63		39.01		36.53	
July	375.9		126.57		38.89		36.72	
August	377.5	4.3	127.47	6.8	39.21	11.0	36.95	9.7
September	379.2		127.39		38.96		37.13	
October	380.6		127.93		38.96		37.53	
November	382.1	4.9	129.43	7.1	39.53	4.7	37.62	8.3
December	383.5		130.65		39.93		37.89	
January 1991	385.0		131.67		40.26		38.21	
February	386.4	4.7	130.98	6.5	40.15	8.6	38.43	8.5
March	387.9		131.54		40.48		38.72	
April	389.6		133.27		41.21		38.65	
May	391.3	5.2	131.66	2.6	40.53	5.0	38.69	2.8
June	393.2		131.83		40.62		38.81	
Chng June(91)/June(90)		5.0		3.9		4.1		6.2
Chng June(90)/June(89)		2.2		1.2		-0.3		5.1

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	797.2		8.49		107.5		82.7	
February	794.0	-0.5	8.16	-21.2	108.5	0.9	83.2	-2.7
March	794.0		8.60		109.1		83.5	
April	795.6 *		8.68		108.7		83.0	
May	797.8	1.4	8.63 *	10.4	108.9 *	2.1	83.0 *	-0.5
June	800.1		8.57		109.2		83.1	
July	803.1		8.65		109.5		83.2	
August	806.5	4.3	8.56	2.2	109.8	3.2	83.2	1.0
September	809.4		8.81		110.1		83.3	
October	812.8		8.29		109.9		82.9	
November	814.9	4.3	8.47	-3.5	110.1	1.1	82.9	-1.6
December	817.1		9.03		110.3		82.9	
January 1991	820.6		8.50		110.6		83.0	
February	824.3	4.6	8.44	-5.3	110.8	2.6	83.0	0.3
March	827.8		8.50		111.0		82.9	
April	831.3		8.44		110.9		82.5	
May	834.9	5.4	8.38	-2.3	111.1	1.0	82.5	-2.4
June	839.1		8.47		111.2		82.4	
Chng June(91)/June(90)		4.9		-1.2		1.8		-0.3
Chng June(90)/June(89)		2.3		-7.1		0.7		-1.8

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	127.7		117.6		114.2		127.6	
February	128.4	8.5	117.3	8.2	113.6	5.1	128.1	5.7
March	129.0		117.0		113.2		128.8	
April	129.3		116.6		113.1		129.1	
May	129.7 *	4.2	117.0 *	-1.1	113.7 *	-0.2	129.4	4.1
June	130.1		117.3		114.0		129.8	
July	130.5		117.5		114.3		130.2	
August	130.8	3.6	117.5	2.1	114.6	2.1	130.5	3.4
September	131.3		117.7		113.7		131.0	
October	131.8		118.0		114.7		131.4	
November	132.3	4.5	118.4	2.9	115.0	3.0	131.8	4.1
December	132.8		118.8		115.4		132.3	
January 1991	133.3		119.2		115.7		132.8	
February	133.8	4.6	119.6	4.1	116.0	3.4	133.2	4.2
March	134.3		120.0		116.3		133.7	
April	134.8		120.3		116.6		134.1	
May	135.4	4.9	120.7	3.7	116.9	3.1	134.6	4.4
June	136.0		121.1		117.2		135.2	
Chng June(91)/June(90)		4.5		3.2		2.8		4.1
Chng June(90)/June(89)		4.8		2.6		1.4		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	133.7		113.0		127.1		145.0		120.2	
February	134.2	7.8	112.8	4.0	127.8	13.2	145.3	6.0	120.8	0.7
March	135.0		112.6		128.9		146.2		120.6	
April	135.4		112.6		129.1		146.7		120.8 *	
May	135.6 *	4.3	112.7 *	-0.1	129.2 *	4.2	147.2 *	4.9	121.0	1.4
June	136.1		113.0		129.5		147.8		121.1	
July	136.5		113.2		129.7		148.4		121.3	
August	136.8	3.5	113.1	1.7	129.9	2.2	149.0	4.9	121.6	2.0
September	137.3		113.4		130.3		149.6		121.8	
October	137.8		113.7		130.7		150.2		121.9	
November	138.3	4.3	114.0	2.7	131.1	3.5	150.8	4.9	122.2	2.1
December	138.8		114.3		131.5		151.4		122.5	
January 1991	139.3		114.6		131.9		152.0		122.8	
February	139.8	4.4	114.9	3.2	132.4	3.9	152.6	4.9	123.0	2.5
March	140.3		115.2		132.8		153.2		123.1	
April	140.8		115.4		133.2		153.9		123.3	
May	141.4	4.6	115.7	2.8	133.7	4.1	154.6	5.3	123.6	2.0
June	142.0		116.0		134.2		155.3		123.8	
Chng June(91)/June(90)		4.3		2.7		3.6		5.1		2.2
Chng June(91)/June(90)		4.7		1.9		4.9		5.0		1.3

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
January 1990	-9.32		145.3		5398		4180		-14.6
February	-6.10	48.9	143.9	0.3	5428	7.0	4188	1.3	-12.2
March	-8.45		145.2		5468		4195		-10.1
April	-8.05 *		144.7 *		5487		4199		-8.6
May	-7.96	-6.0	145.0	0.4	5513	6.1	4210	1.9	-7.3
June	-8.21		145.1		5537		4215		-6.4
July	-8.53		145.0		5570		4228		-8.3
August	-7.90	-2.8	145.1	0.5	5596	6.4	4238	2.9	-9.7
September	-7.96		145.2		5629		4248		-8.6
October	-8.48		145.4		5648		4248		-10.3
November	-8.26	10.5	145.7	1.4	5671	5.3	4250	1.2	-11.9
December	-6.98		145.7		5695		4254		-12.2
January 1991	-7.93		146.0		5732		4266		-14.3
February	-7.14	21.5	145.8	0.9	5768	7.0	4278	2.6	-12.6
March	-7.26		146.0		5803		4290		-11.9
April	-7.11		146.2		5830		4295		-12.8
May	-6.93	18.6	145.9	0.2	5853	6.1	4296	1.7	-14.3
June	-7.17		145.9		5880		4298		-13.6
Chng June(91)/June(90)		12.7		0.6		6.2		2.0	
Chng June(90)/June(89)		3.3		0.8		6.2		1.9	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	93.00		156.7		8.26		187.96	
February	92.25	-16.0	163.4	-12.8	8.50	28.1	182.55	-13.0
March	94.11		169.5		8.56		186.26	
April	93.53		160.4		8.76		185.61	
May	92.21 *	-4.3	164.6	-3.5	8.85 *	15.5	188.53 *	4.0
June	90.56		160.3		8.64		188.07	
July	89.93		165.1		8.56		195.51	
August	88.57	-10.5	168.6	17.4	8.63	-5.2	198.04	23.9
September	90.26		171.5		8.71		199.59	
October	91.43		164.6		8.75		190.69	
November	91.86	12.0	166.7	-6.7	8.84	9.9	191.15	-15.1
December	93.20		165.2		8.93		187.53	
January 1991	92.27		168.8		9.02		189.70	
February	92.86	3.3	172.4	18.2	9.11	11.1	191.83	6.3
March	93.61		176.5		9.10		196.61	
April	93.88		177.3		8.93		201.26	
May	94.15	3.5	174.2	4.0	8.95	-6.4	197.30	11.2
June	93.12		171.3		8.90		195.11	
Chng June(91)/June(90)		2.8		6.9		3.0		3.7
Chng June(90)/June(89)		-12.2		-6.0		4.5		4.0

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	298.2		794.8		3229.3		8.23		7.55	
February	300.0	8.6	801.4	4.9	3252.6	6.2	8.24	-15.8	7.70	10.5
March	303.3		804.8		3266.4		8.28		7.85	
April	303.7		807.2		3272.2		8.26		7.84	
May	306.0 *	7.1	806.9 *	3.8	3274.3 *	3.7	8.22 *	-1.1	7.82 *	5.5
June	307.3		809.6		3289.6		8.20		7.75	
July	308.9		813.4		3307.5		8.17		7.66	
August	310.4	6.1	817.6	4.6	3324.6	5.7	8.15	-2.2	7.61	-7.6
September	311.3		820.3		3341.2		8.22		7.68	
October	312.8		823.5		3356.5		8.29		7.79	
November	314.2	5.3	826.9	4.9	3372.5	6.0	8.23	4.6	7.75	7.5
December	315.8		830.4		3389.5		8.30		7.83	
January 1991	317.3		834.2		3409.4		8.49		8.02	
February	318.8	5.9	837.3	5.1	3430.6	6.8	8.67	18.9	8.21	21.2
March	320.2		840.6		3446.3		8.76		8.29	
April	321.7		844.5		3463.7		8.73		8.25	
May	323.1	5.6	847.3	4.8	3484.0	6.3	8.72	3.6	8.17	-0.2
June	324.6		849.8		3496.6		8.70		8.09	
Chng June(91)/June(90)		5.6		5.0		6.3		6.1		4.4
Chng June(90)/June(89)		6.0		4.6		6.1		-14.0		-2.3

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1990	8.99		7.10		8.20		8.10		10.11	
February	9.22	14.4	7.22	5.2	8.14	-8.5	8.22	-9.7	10.00	-16.5
March	9.37		7.29		8.28		8.35		10.00	
April	9.46		7.44		8.30		8.42		10.00	
May	9.60 *	13.9	7.41 *	10.0	8.22 *	1.3	8.39 *	7.5	10.00 *	-1.5
June	9.43		7.28		8.18		8.31		10.00	
July	9.40		7.23		8.15		8.27		10.00	
August	9.46	-1.1	7.25	-5.0	8.13	-3.0	8.23	-4.2	10.00	0.0
September	9.55		7.37		8.23		8.35		10.00	
October	9.67		7.43		8.25		8.38		10.00	
November	9.76	12.8	7.55	15.7	8.29	6.5	8.42	7.1	10.00	3.9
December	9.85		7.68		8.36		8.48		10.29	
January 1991	9.96		7.75		8.48		8.63		10.50	
February	10.06	12.1	7.84	15.3	8.65	16.3	8.81	17.7	10.76	28.7
March	10.11		7.89		8.73		8.89		11.00	
April	10.01		7.82		8.70		8.84		11.00	
May	9.98	-2.8	7.73	-3.7	8.68	2.7	8.81	1.5	11.00	9.5
June	9.93		7.71		8.65		8.78		11.00	
Chng June(91)/June(90)		5.3		5.9		5.7		5.7		10.0
Chng June(90)/June(89)		3.6		3.7		-10.2		-9.7		-9.7

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.